

**REGULAR STATE BANKING BOARD MEETING  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**November 14, 2013**

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:00 a.m., Thursday, November 14, 2013, by conference call.

**MEMBERS PRESENT:** Robert J. Entringer, Chairman (*Office*)  
Nancy Baerwald, Member (*Cando*)  
Linda Beall, Member (*Velva*)  
Kim Larson, Member (*Casselton*)  
Anita Quale, Member (*Watford City*)  
Tom Stennes, Member (*Harwood*)

**MEMBER ABSENT:** Bill Daniel, Member

**ALSO PRESENT:** Aaron K. Webb, Secretary (*Office*)  
Jan Murtha, Assistant Attorney General (*Office*)  
Lise Kruse, Chief Examiner – Banks (*Fargo*)

**APPROVAL OF MINUTES**

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on September 12, 2013.

**It was moved by Member Baerwald, seconded by Member Beall, and carried by a vote of 5 to 0, with Members Daniel and Quale absent, to approve the minutes of the regular meeting held September 12, 2013, as presented.**

## **CITIZENS STATE BANK – MIDWEST, CAVAILER – ARTICLES OF AMENDMENT**

Chairman Entringer indicated the Department received the Articles of Amendment for Citizens State Bank – Midwest, Cavalier, to change its number of directors from 5 to 11, to 5 to 15. Chairman Entringer indicated the amendment was filed with the Secretary of State's Office on September 9, 2013.

**It was moved by Member Larson, seconded by Member Beall, and carried by a vote of 5 to 0, with Members Daniel and Quale absent, to approve the Articles of Amendment for Citizens State Bank – Midwest, Cavalier.**

## **ITEM TO BE NOTED**

Chairman Entringer indicated that on October 29, 2013, he approved, as Commissioner, an application by Union State Bank of Hazen, Hazen, to close its facility at 117 Main Street, Zap.

## **BANK BUDGET UPDATE**

The September 30, 2013, Organizational Status Report by Summary Account for the bank division was included with the agenda for the Board's review.

## **STAFF UPDATE**

Chairman Entringer indicated as of November 15, 2013, there will be two examiner positions open in the Bismarck Field Office.

## **2015 LEGISLATION**

Chairman Entringer indicated Assistant Commissioner Webb, Assistant Attorney General Murtha, and he plan to review the entire North Dakota Administrative Code, and any possible amendments will be presented to the State Banking Board for consideration.

Chairman Entringer indicated there is a conflict on the facility application between the North Dakota Century Code and North Dakota Administrative Code that needs to be corrected.

Member Quale joined the conference call at this time.

Chairman Entringer indicated the treatment of purchase and assumptions versus mergers needs to be addressed. Chairman Entringer indicated it seems odd that the stockholders of a selling bank are required to approve a purchase and assumption transaction, particularly when the assets being sold is a branch which may be unsequential to the selling bank.

Chairman Entringer indicated the Department is contemplating whether any change is needed regarding dividend approval. Chairman Entringer indicated if a bank has sufficient net profits but is not in compliance with Basel III as far as the capital conservation buffer, it cannot declare a dividend; therefore, a change may not be necessary.

Chairman Entringer indicated the Department will consider raising the threshold to 25% of Tier One capital in Section 6-03-47.2; however, we must make sure the limit is not greater than what is allowed for a national bank.

Chairman Entringer asked the Board to inform the Department of any legislative changes they feel should be addressed.

## **CAPITAL ADEQUACY AND MAINTENANCE POLICY**

Chairman Entringer indicated the Capital Adequacy and Maintenance Policy included with the agenda is not the document he intended to enclose. Chairman Entringer explained the Department drafted a Capital Adequacy and Maintenance Policy in 1986, and at this time two state-chartered banks are not in compliance with this Policy. Chairman Entringer indicated the Policy is the old pure leverage ratio that defines primary capital for a bank that is well managed, which essentially sets a 7% leverage ratio minimum.

Chairman Entringer indicated the correct Policy will be provided to the Board along with the January 2014 meeting agenda.

## **PROPOSED MEETING DATES FOR 2014**

Chairman Entringer indicated the Board has previously met the second Thursday every other month and those are the dates provided.

**It was moved by Member Quale, seconded by Member Larson, and carried by a vote of 6 to 0, with Member Daniel absent, to approve the proposed 2014 dates of January 9, March 13, May 8, July 10, September 11, and November 13.**

**The Board went into closed session at 9:17 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1., and reconvened to open session at 9:41 a.m.**

## **DISCUSSION ITEM**

Chairman Entringer indicated the Department's main challenge is to retain staff. Chairman Entringer indicated three past examiners are now working for out-of-state banks.

The meeting adjourned at 9:43 a.m.

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary